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DEPARTMENT OF TREASURY

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STATE TAX COMMISSION

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No. 5 - May 13, 1985
Millage Requests and
Millage Rollbacks

COMMISSION MEMBERS

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TO: County Clerks, Treasurers, Equalization Directors, and
Chairpersons of Boards of Commissioners;
Township Clerks, Treasurers, Supervisors, and Assessors;
City Clerks, Treasurers, and Assessors;
Village Clerks;
School District Boards of Education;
Community College Boards of Trustees;
Authority Governing Bodies

FROM: State Tax Commission

The subject of this bulletin (#5) is the 1985 Form L-4029 Millage Request Report and Required Millage Rollbacks. Bulletins 1 thru 4 pertained to assessment administration and were distributed only to assessing officers and Equalization Directors.

To obtain a complete copy of the general property tax act, being sections 211.1 to 211.157 of the Michigan Compiled Laws, send \$5.00 per set to the Local Property Services Division, Treasury Building, Lansing, Michigan, 48922. Make the check payable to the State of Michigan. Refer to account #110-92-206, General Property Tax Law. The 1985 General Property Tax Law Revisions, including 1984 Public Acts are available at a cost of \$2.00 each at the same address.

Millage Reduction Calculations or Rollbacks

A 1985 Form L-4029 with instructions and an explanation of compounded millage reduction fractions (MRF's) have been incorporated into this bulletin. 1982 Public Act 539 has changed the formula for the millage reduction fraction. The changed formula does not affect any millage reduction fractions for any year prior to 1983 which were previously calculated.

There may be counties, villages, townships, or cities which will be impacted by the additional rollback requirement of Section 34 of the General Property Tax Act. A copy of that provision and an explanation of its impact has also been included.

The inflation rate for determining the 1985 millage reduction fraction for any local government unit is 1.043.

1985 MILLAGE REDUCTION FORMULA. (SEC 211.34D, MICHIGAN COMPILED LAWS)

$$1985 \text{ MRF} = \frac{(\text{TOTAL } 1984 \text{ S.E.V.} - \text{LOSSES S.E.V.}) \times 1.043}{\text{TOTAL } 1985 \text{ S.E.V.} - \text{ADDITIONS S.E.V.}}$$

The compounded MRF used for 1985 to determine the allowable tax levy rate is to be determined by the financial officer of each taxing jurisdiction. The compounded MRF used in 1985 will be equal: to the 1985 MRF; or to the product of the 1984 compounded MRF multiplied by the 1985 MRF; or it may be equal to 1.0000 depending on the source of the tax rate and the date of the election which authorized the rates. The compounded MRF used in 1985 shall be calculated as the product of the 1984 compounded MRF multiplied by the 1985 MRF.

(See instructions for form L-4029, Column 7. The compounded MRF shall not exceed 1.0000. The compounded MRF cannot exceed the 1985 MRF. The applicable MRF cannot exceed 1.0000 for new voted levies, debt, or special assessments and cannot exceed the 1985 MRF for other levies subject to rollbacks.)

MILLAGE ROLLBACKS RELATED TO STATE EQUALIZATION
(SEC 34, TRUTH IN ASSESSING AND TRUTH IN COUNTY EQUALIZATION ROLLBACKS)

Section 34 of the General Property Tax Act, being section 211.34 of the Michigan Compiled Laws provides that: " . . . Each year the county board of commissioners shall advise the local taxing units when the state tax commission increases the equalized value of the county as established by the board of county commissioners and each taxing unit other than a city, township, school district, intermediate school district, or community college district, shall immediately reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that subsequent to the increase ordered by the state tax commission pursuant to Act No. 44 of the Public Acts of 1911, as amended, being section 209.1 to 209.8 of the Michigan Compiled Laws, total property taxes levied for that unit shall not exceed that which would have been levied for that unit at its maximum authorized millage rate, as determined after any reduction caused by section 34d, if there had not been an increase in valuation by the state. If its state equalized valuation exceeds its assessed valuation . . . a city or township shall reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that total property taxes levied for that unit do not exceed that which would have been levied based on its assessed valuation."

This required reduction applies only to maximum authorized millage and reduces the "authorized rate" after the application of the compounded millage reduction fraction required by section 211.34d, M.C.L.

In 1985, the increase by the State Tax Commission to the valuation of any separately equalized classification will require a reduction of the total authorized rate pursuant to Section 211.34, M.C.L., if applicable. The final allowable levy rate will be multiplied in the 1985 tax roll by the state equalized valuation of each item of property in each classification after accounting for any Truth in Taxation limitation required by section 211.24e, M.C.L.

For the county, village and authority rollbacks, the rollback fraction is calculated by dividing the TOTAL COUNTY EQUALIZED VALUATION FOR ALL CLASSES by the TOTAL STATE EQUALIZED VALUATION FOR ALL CLASSES. (Truth in County Equalization does not affect the assessment units: the township and cities.)

Villages and authorities will require factoring of the assessed valuations to obtain county equalized valuations and state equalized valuations needed to calculate the section 34 rollback fraction, equal to TOTAL C.E.V./TOTAL S.E.V. for each village or authority affected. Authorities located in more than one county are not affected by the rollback required by section 211.34, M.C.L.

The township or city truth in assessing rollback fraction shall be calculated separately for each township or city. The fraction numerator is the total assessed valuation as approved by the board of review; the denominator is the total state equalized valuation for all classes combined. The township or city rollback fraction is calculated by dividing the TOTAL ASSESSED VALUATION FOR ALL CLASSES by the TOTAL STATE EQUALIZED VALUATION FOR ALL CLASSES. The section 211.34, M.C.L. truth in assessing rollback applies in 1985 to any township or city if the total S.E.V. exceeds the total assessed valuation by any amount.

BASE TAX RATE FORMULA (SEC 211.24E, TRUTH IN TAXATION)

1985 BASE TAX RATE = 1984 OPERATING LEVY x BASE TAX RATE FRACTION (BTRF)

$$1985 \text{ BTRF} = \frac{1984 \text{ TOTAL S.E.V.} - \text{LOSSES S.E.V.}}{1985 \text{ TOTAL S.E.V.} - \text{ADDITIONS S.E.V.}}$$

The base tax rate fraction is calculated each year and does not compound. The same quantities are used for calculating the BTRF as were required for the MRF for the 1984 S.E.V., 1985 S.E.V., LOSSES S.E.V., and ADDITIONS S.E.V. for each separate unit of local government.

The base tax rate is calculated by multiplying the base tax rate fraction by the operating tax rate levied in the immediately preceding year.

FORM L-4029, MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS, IN
 ACCORDANCE WITH SECTIONS 211.34, 211.34d, 211.36, and 211.37, MICHIGAN COMPILED LAWS
 AS AMENDED BY 1981, P. A. 213 and 1982 P. A. 539
 (Truth in county equalization, truth in assessing, Headlee, and apportionment)

Instructions: (Items refer to numbered columns on Form L-4029)

- (1) Source
 What was the source of each millage, such as 15 mill allocation, separate millage limitations voted, charter, approved extra-voted millage, etc.?
- (2) Purpose of Millage
 Operating, building and site, debt service, special assessment, etc.
- (3) Date of Election
 For each millage authorized by direct voter approval, indicate the month and year of the election.
- (4) Maximum Millage Authorized
 List allocated rate, charter aggregate rate, extra-voted authorized prior to 1979, each separate rate authorized by voters after 1978, debt service rate, etc. (This rate is the rate before reduction caused by Sec. 211.34, M.C.L., if state equalized valuation exceeds county equalized valuation or assessed valuation.)
- (5) 1984 Compounded Millage Reduction Fraction
 List the applicable Millage Reduction Fraction from column (7) of the 1984 form L-4029 for each separate millage listed. Note: These 1984 compounded millage reduction fractions might not be the same for all millages to be levied by a taxing district. Also, voters could have increased one or more of these fractions to a maximum of 1.0000.
- (6) Current Year Millage Reduction Fraction
 List millage reduction fraction certified by the county treasurer for the current year.
- (7) Applicable Millage Reduction Fraction
 For millage not subject to reduction, enter 1.0000. For millage subject to the reduction fraction from a single year, enter the lower of 1.0000 or the current year millage reduction fraction. For millage subject to the reduction fraction for more than one year, enter the compounded millage reduction fraction for the period since authorization was voted. (See examples on reverse side.)
- (8) Sec. 211.34 Millage Reduction Fraction
 List the millage reduction fraction for 1985 for each millage which is an operating rate. Use 1.0000 for school districts and for special assessments and bonded debt retirement levies. For counties, villages and authorities, calculate as TOTAL C.E.V./TOTAL S.E.V. For townships and cities, calculate as TOTAL ASSESSED VALUATION/TOTAL STATE EQUALIZED VALUATION. This fraction shall not exceed 1.0000. Use 1.0000 for an authority located in more than one county.
- (9) Maximum Allowable Millage Levy
 Multiply Column (4), Maximum Millage Authorized by Column (7), Applicable Millage Reduction Fraction and also by Column (8), Sec. 24 Millage Reduction Fraction. Round the rate to the nearest 0.0001 mill.
- (10) Millage Requested to be Levied
 Enter the tax rate approved by the unit of local government provided that the rate requested shall not exceed the Maximum Allowable Millage Levy in Column (9). In no case shall a millage rate be requested which exceeds the base tax rate provided by Sec. 211.24e, M.C.L., unless the requirements of the hearing, etc., have been met. Note: School districts should report the total millage levied for the year in column (10). If one-half or all the school taxes were levied in the summer, add a footnote stating dates and millage levied.

NOTE: The tax rate for operating purposes is also subject to the Truth in Taxation limitation provided by section 211.24e, M.C.L. The Truth in Taxation operating rate shall not exceed the total of operating rates allowable in column (9). Truth in Taxation involved the decision to levy a tax increase. Form L-4029 provides for a demonstration of the authority to levy a tax rate.

Examples for Column (7):

- (a) For millage approved by the voters after May 31 use 1.000 for the first year levied.
- (b) For debt service or special assessments not subject to millage reduction fraction, enter 1.0000.
- (c) For millage authorized by county tax allocation board enter the compounded millage reduction fraction commencing with the 1979 reduction fraction, unless there has been voter approval of an increase in the fraction restoring it to 1.0000, etc.
- (d) For a separate millage limitation voted after 1978, enter the compounded millage reduction fraction commencing with the date of voter approval. (See (a) above). Separate millage approved prior to 1979 is to be reduced in the same manner as millage allocated by tax allocation board. Revoting of separate millage limitations constitutes approval by the voters as of the date of the most recent election approval.
- (e) There is not necessarily a single millage reduction fraction for all millages authorized for a single taxing jurisdiction. For example, in 1985, a school district might have a separate limitation of 9.0 mills subject to the compounded millage reduction fraction from 1979, 1980, 1981, 1982, 1983, 1984, and 1985. In 1980 it might have voted 10 extra mills reduced by the compounded millage reduction fraction from 1981, 1982, 1983, 1984, and 1985. It also might have voted 10 extra mills on June 10, 1985, which would have a fraction of x 1.0000.
- (f) The applicable millage reduction fraction for any millage cannot exceed 1.0000. By statute, the 1979 reduction fraction is limited to 1.0000. Thereafter, the compounded millage reduction fraction cannot exceed 1.0000. The compounded millage reduction fraction for a year is equal to the compounded reduction fraction for the prior year multiplied by the current year millage reduction fraction, but not to exceed 1.0000.

After a unit of local government has been subjected to a millage reduction fraction of less than 1.0000, such as .9000, the compounded millage reduction fraction might increase as the result of a subsequent current year reduction fraction larger than one, such as 1.2000.

In this hypothetical instance, the compounded millage reduction fraction of .9000 \times the current year millage reduction fraction of 1.2000 = 1.0800. The compounded 1.0800 would become 1.000 because that is the maximum limit for the compounded fraction. If in the following year, the current year reduction fraction was .9500, the compounded millage reduction fraction would be 1.0000 \times .9500 = .9500, and not 1.0260 (1.0800 \times .9500). Calculated compounded millage reduction fractions which would exceed 1.0000 cannot be "banked" to offset future reductions.

